

## Message Text

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FM SECSTATE WASHDC

TO USMISSION OECD PARIS

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FOR ASSISTANT SECRETARY ENDERS

FOLLOWING REPEAT SECSTATE 221156 TOSEC 120023 ACTION USDEL  
SECRETARY 17 SEP 75

QUOTE

LIMITED OFFICIAL USE STATE 221156 TOSEC 120023

E.O. 11652: N/A

TAGS: ENRG

SUBJECT: PROPOSED OPENING STATEMENT BY THE SECRETARY  
BEFORE THE ENERGY SUB-COMMITTEE OF THE JOINT  
ECONOMIC COMMITTEE

1. THERE FOLLOWS A PROPOSED OPENING STATEMENT TO BE  
DELIVERED BY THE SECRETARY BEFORE THE ENERGY SUBCOMMITTEE  
OF THE JOINT ECONOMIC COMMITTEE ON FRIDAY, SEPTEMBER 19.  
(A MORE LENGTHY AND DETAILED STATEMENT WILL ALSO BE SUB-  
MITTED TO THE SUB-COMMITTEE FOR THE RECORD.)

2. BEGIN TEXT. I WELCOME THIS OPPORTUNITY TO MEET WITH  
YOU TODAY TO DISCUSS US INTERNATIONAL ENERGY POLICY.  
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THE EVENTS SET IN MOTION BY THE OCTOBER 1973 WAR EXPOSED  
THE DANGEROUS VULNERABILITY WE HAD INCURRED AS A RESULT OF  
OUR GROWING DEPENDENCE ON IMPORTED OIL. THE OIL EMBARGO  
AND THE SERIES OF MASSIVE OIL PRICE INCREASES WHICH

FOLLOWED UNDERSCORED THE DEGREE TO WHICH WE HAD LOST CONTROL OVER THE PRICE OF A CENTRAL ELEMENT OF OUR ECONOMIC SYSTEM. WE ALSO FOUND THAT OUR OWN ECONOMIC WELL BEING AND SECURITY WERE THREATENED BY THE ENERGY VULNERABILITY OF OUR ALLIES AND THAT THE ESCALATING PRICE OF ENERGY HAD WRECKED HAVOC ON THE PROGRAMS OF DEVELOPING COUNTRIES.

OVER THE PAST TWO YEARS OUR OBJECTIVE HAS BEEN TO DEVELOP A COMPREHENSIVE STRATEGY TO END OUR DOMESTIC AND INTERNATIONAL ENERGY VULNERABILITY. OUR GOAL HAS BEEN TO BUILD A SERIES OF POLICIES WHICH WOULD:

-- PROTECT US AGAINST SHORT-TERM DANGERS SUCH AS EMBARGOES AND THE DESTABILIZING MOVEMENTS OF ASSETS HELD BY OIL COMPANIES;

-- PROVIDE SUPPORT FOR DEVELOPING COUNTRIES HARD HIT BY HIGH OIL PRICE;

-- MAKE POSSIBLE A RETURN TO NON-INFLATIONARY GROWTH; AND

-- CREATE THE POLITICAL AND INSTITUTIONAL CONDITIONS FOR A PRODUCTIVE DIALOGUE BETWEEN CONSUMER AND PRODUCER COUNTRIES.

WE HAD MADE SUBSTANTIAL PROGRESS IN MEETING THE IMMEDIATE CRISIS. WE AND OUR PARTNERS IN THE INTERNATIONAL ENERGY AGENCY HAVE JOINED IN A PLAN FOR MUTUAL ASSISTANCE IN THE EVENT OF A FUTURE EMBARGO.

IN APRIL WE AND OTHER INDUSTRIALIZED COUNTRIES AGREED ON A \$25 BILLION SUPPORT FUND TO OFFSET ABRUPT OR PREDATORY SHIFTS OF FUNDS BY OPEC AS WELL AS BALANCE OF PAYMENTS PROBLEMS.

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ALSO AT OUR INITIATIVE, THE INTERNATIONAL MONETARY FUND WILL CREATE A SPECIAL TRUST FUND FOR CONCESSIONAL LOANS TO DEVELOPING COUNTRIES HIT HARDEST BY OIL PRICE INCREASES.

WE HAVE ALSO COORDINATED CLOSELY WITH GERMANY, FRANCE, JAPAN AND BRITAIN TO RESTORE SUSTAINED ECONOMIC EXPANSION IN THE INDUSTRIAL WORLD.

DESPITE THIS PROGRESS MUCH REMAINS TO BE DONE IF WE ARE TO OVERCOME THE IMPACT OF THE ENERGY CRISIS.

US DOMESTIC PROGRAM.- HERE AT HOME WE MUST MOVE MORE

RAPIDLY IN REDUCING OUR DEPENDENCE ON IMPORTED OIL. OUR PRESENT VULNERABILITY WILL CONTINUE UNLESS WE INTENSIFY OUR CONSERVATION EFFORTS AND PROMPTLY INITIATE THOSE PROGRAMS AND POLICY MEASURES WHICH WILL ENSURE THE AVAILABILITY OF MAJOR AMOUNTS OF NEW ENERGY BY THE END OF THIS

DECADE AND INTO THE 1980'S.

FOR THE SHORT TERM WE LOOK TO CONSERVATION AS THE PRIMARY MEANS OF REDUCING OUR IMPORT DEPENDENCE. IN THIS REGARD THE DECONTROL OF DOMESTIC OIL PRICES IS THE SINGLE MOST IMPORTANT CONSERVATION MEASURE WE HAVE YET TAKEN. NOT ONLY WILL IT RESULT IN IMPORT SAVINGS BUT IT WILL ALSO PROVIDE AN IMPORTANT STIMULUS TO DOMESTIC PRODUCTION.

BUT THERE SHOULD ALSO BE OTHER ELEMENTS IN OUR DOMESTIC ENERGY POLICY INCLUDING THE DEREGULATION OF NATURAL GAS AS WELL AS THE ACCELERATED EXPLORATION OF POTENTIAL RESOURCES IN ALASKA AND ON THE OUTER CONTINENTAL SHELF.

THERE ARE COSTS INVOLVED IN THIS POLICY, BOTH DIRECT AND INDIRECT, AS WE SEARCH FOR AN ACCEPTABLE AND FAIR BALANCE BETWEEN ENVIRONMENTAL AND ENERGY PRIORITIES BUT WE MUST FACE UP TO THE FACT THAT EITHER WE IMPOSE HIGHER ENERGY COSTS ON OURSELVES NOW OR THE OIL CARTEL WILL IMPOSE MUCH HIGHER PRICES AT ITS WILL.

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CONSUMER COOPERATION. - NOR CAN WE SUCCEED ALONE IN THIS EFFORT. WE MUST WORK CLOSELY WITH OTHER MAJOR CONSUMING COUNTRIES IF WE EXPECT TO END THE MONOPOLY POWER OF THE PRODUCER COUNTRIES IN UNILATERALLY SETTING OIL PRICES.

WE AND OUR IEA PARTNERS ARE NOW DEVELOPING A COMPREHENSIVE PROGRAM OF LONG TERM COOPERATION. IN THE CONSERVATION AREA WE WILL SET OVERALL TARGETS BASED ON EQUITABLE BURDEN SHARING AMONG MEMBERS AND WE WILL VERIFY EACH OTHERS PERFORMANCE.

TO ACCELERATE THE DEVELOPMENT OF NEW ENERGY IEA MEMBERS MUST POOL THEIR RESOURCES AND EXPAND RESEARCH AND DEVELOPMENT EFFORTS TO COVER THE MASSIVE DEVELOPMENT COSTS, IEA COUNTRIES MUST WORK TOGETHER TO ENSURE THAT THE NECESSARY FINANCIAL RESOURCES WILL BE AVAILABLE.

IT IS ALSO IMPORTANT THAT WE ESTABLISH A COMMON BASIS FOR DEVELOPING ALTERNATIVE SUPPLIES BY AGREEING THAT NONE OF THE IEA COUNTRIES WILL PERMIT IMPORTED OIL TO BE SOLD IN OUR ECONOMIES BELOW A CERTAIN MINIMUM PRICE LEVEL. THE

OBJECT OF THIS ELEMENT OF CONSUMER COUNTRY POLICY IS TO ASSURE THAT OUR EFFORTS ARE NOT DISRUPTED BY PREDATORY PRICING BY OPEC AND TO PROTECT THOSE COUNTRIES THAT INVEST HEAVILY IN HIGHER COST ENERGY FROM BEING PUT AT A

COMPETITIVE DISADVANTAGE IF THE OIL PRODUCERS ENGAGE IN PREDATORY PRICING.

THESE EFFORTS BY THE US AND ITS IEA PARTNERS ARE EXTREMELY IMPORTANT FOR WITHOUT SERIOUS JOINT EFFORT BY THE CONSUMER COUNTRIES, OUR CREDIBILITY WILL BE QUESTIONED, AND NO BALANCED DIALOGUE WITH PRODUCER COUNTRIES WILL BE POSSIBLE.

WE SEEK SUCH A DIALOGUE WITH THE PRODUCING COUNTRIES, ONE THAT WILL UNDERSCORE OUR MUTUAL INTERESTS RATHER THAN OUR DIFFERENCES.

IF WE AND OUR IEA PARTNERS SEEK RELIABLE ACCESS TO OIL SUPPLIES AT STABLE PRICES THE PRODUCING COUNTRIES ALSO LIMITED OFFICIAL USE  
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SEEK SECURE OUTLETS FOR THEIR GROWING ASSETS AND GREATER PARTICIPATION IN THE WORLD FINANCIAL AND ECONOMIC SYSTEM.

WE HAVE WORKED HARD TO LAUNCH A PRODUCTIVE DIALOGUE ON ENERGY, RAW MATERIALS, DEVELOPMENT AND FINANCE. WE LOOK FORWARD TO THE MEETINGS ON THESE SUBJECTS WHICH WILL BEGIN NEXT MONTH. THEY OFFER AN OPPORTUNITY, FOR CONSUMER AND PRODUCER COUNTRIES ALIKE TO DEMONSTRATE THEIR ABILITY TO CREATE NEW TIES AND RELATIONSHIPS.

A MAJOR TEST OF THE PRODUCER COUNTRY COMMITMENT TO A MORE POSITIVE RELATIONSHIP WILL OCCUR IN THE NEXT FEW DAYS WHEN OPEC COUNTRIES MEET TO DECIDE WHETHER OR NOT TO EXTEND THEIR OWN MORATORIUM ON OIL PRICE INCREASES. AFTER THE DRAMATIC PRICE INCREASES OF THE PAST TWO YEARS ANOTHER OIL PRICE RISE CAN ONLY ENDANGER THE POSITIVE DIALOGUE WHICH WE SEEK. IT WILL AFFECT THE EXPANSIONARY POLICIES OF INDUSTRIALIZED COUNTRIES. IT WILL FURTHER WEAKEN THE ECONOMIES OF THE DEVELOPING COUNTRIES, SO MANY OF WHICH ARE ALREADY IN PRECARIOUS CONDITION. IT COULD ALSO RESULT IN THE STAGNATION OF OPEC OIL EXPORTS AND LEAD TO DEMANDS FOR YET HIGHER OIL PRICES. SUCH A SERIES OF EVENTS IS IN THE INTEREST OF NO ONE AND CAN ONLY JEOPARDISE OUR HOPES FOR A NEW CONSTRUCTIVE RELATIONSHIP.

REGARDLESS OF THE DECISIONS OF THE OIL PRODUCERS, THE US MUST REGAIN CONTROL OF ITS OWN AFFAIRS. OUR LEADERSHIP ROLE IN THE WORLD DEMANDS THAT WE DEMONSTRATE OUR NATIONAL RESOLVE TO OVERCOME THE PROBLEMS WE FACE AND OUR DETERMIN-

ATION NOT TO INTRUST OUR POLITICAL AND ECONOMIC DESTINY TO  
OTHERS. WE MUST NOT FAIL IN THIS EFFORT. END TEXT. SISCO  
UNQUOTE KISSINGER

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